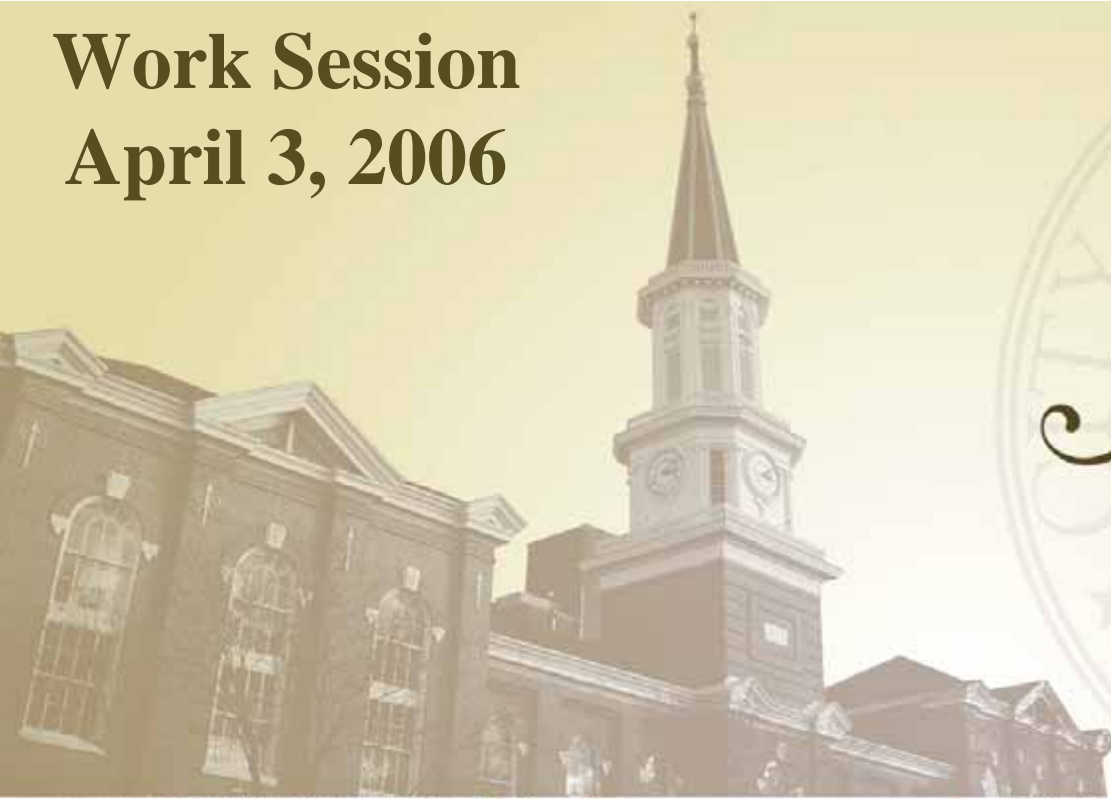


# Work Session

## April 3, 2006



# CITY OF *Alexandria* VIRGINIA





# Agenda

- I. Budget and Fiscal Affairs Advisory Committee (BFAAC)**
  - A. BFAAC Report on Proposed FY 2007 Budget and Proposed FY 2007 Capital Improvement Program**
- II. Briefing on 5 Percent Budget Options**
- III. Briefing on City Employee Health Insurance**



# **FY 2007 Budget Work Session**

## **Agenda Item I: (BFAAC) Report**



# **FY 2007 Budget Work Session**

## **Agenda Item II: Briefing on 5 % Budget Options (Budget Memo #50)**



# FY 2007 Proposed Budget to FY 2007 Alternative Budget

	Net New Fund Balance			Real Estate
	Designations	Expenditures	% Growth	Tax Rate
City Manager's Proposed Budget	+\$0.1 M	\$503.5 M	7.0%	84.7 cents
COLA reduction from 3% to 2.5%		-1.6 M		
CIP Reductions		-3.8 M		
City Operating Budget Reduction		-1.2 M		
School Operating Budget Reduction		-0.5 M		
Reduction of FY 2006 Surplus Available for CIP		+1.1 M		
Reduction in Fund Balance Designation for Schools	-\$1.8 M			
NET TOTAL OF CHANGES	-\$1.8 M	- 5.9 M		-1.8 cents
Alternative Budget Target (6 percent)	-\$1.7 M	\$497.6 M	5.75%	82.9 cents



# FY 2007 Alternative Budget to 5 Percent Budget

	Net New Fund Balance Designations	Expenditures	% Growth	Real Estate Tax Rate
Alternative Budget Target (6 percent)	-\$1.7 M	\$497.6 M	5.75%	82.9 cents
Restore COLA to 3.0%		+1.6 M		
Technical Expenditure Adjustments		+0.4 M		
Revised Funding Sched. for Police HQ		-2.8 M		
Old Town Undergrounding		-0.5 M		
City Health Insurance Co-Pay Increase		-0.6 M		
City Health Insurance Premium				
Cost Sharing		-0.5 M		
School Operating Budget Reduction		-1.1 M		
NET TOTAL OF CHANGES		- 3.5 M		TBD
5% Growth Target	-\$1.7 M	\$494.1 M	5.00%	TBD





# % Increases in General Fund Budget

	City <sup>1</sup>	Schools	Total	Reduction in R.E. Tax Rate
City Manager Proposed	6.40%	8.40%	7.00%	-6.8 cents
Alternative Budget Target (6%)	5.00%	7.60%	5.75%	-8.6 cents
5% Growth Target	4.10%	7.20%	5.00%	TBD

<sup>1</sup> Includes debt service and cash capital



# Additional Revenue Re-estimations (Budget Memo # 52)

**+\$3.1 M** Increase in estimated FY 2006 revenues (non-real estate) over proposed budget.

**+\$1.4 M** Increase in estimated FY 2007 revenues (non-real estate) over proposed budget.

**+\$4.5 M** Net additional revenues available from re-estimates





# Potential net \$9.6M in additional resources that could be used to:

- Reduce budget to 5% growth rate;
- Substitute for other reduction options proposed in alternative lower budget;
- Increase fund balance designations to meet future financial challenges
- Provide funds for program enhancements
- Reduce budget below a 5% growth rate; or
- Reduce further the real estate tax rate



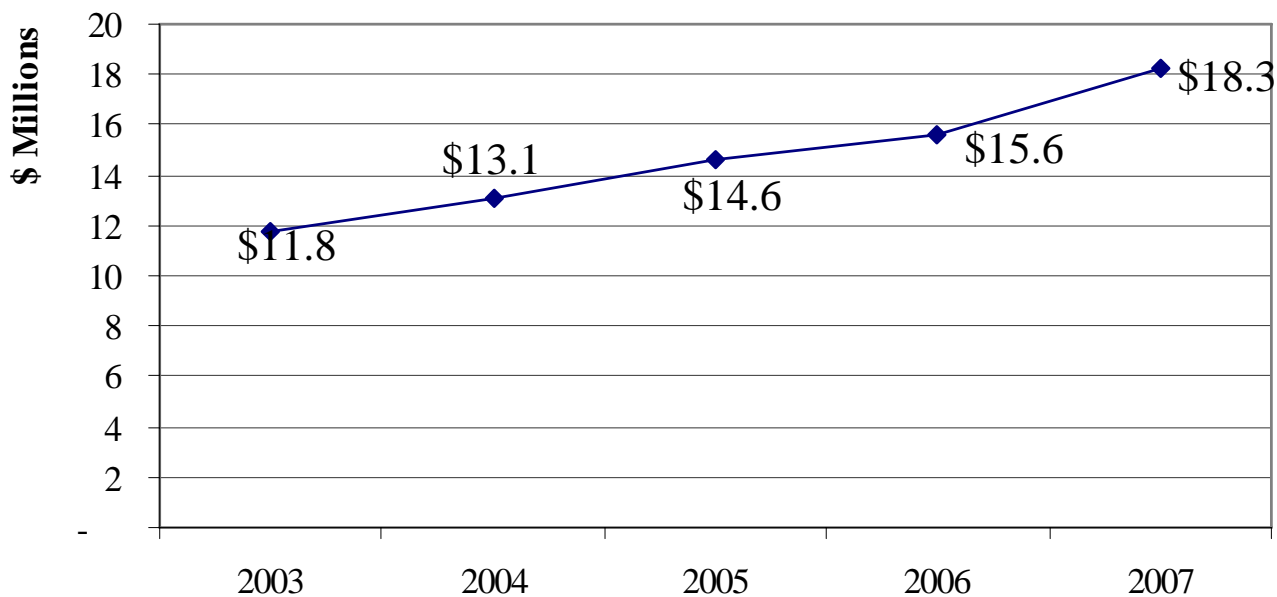
# **FY 2007 Budget Work Session**

## **Agenda Item III: Briefing on City Employee Health Care Benefits**



# Health Insurance

**Projected City Healthcare Costs FY 2003-2007**



FY 2003-2005 are actual costs and FY 2006-2007 are estimated costs in all funds.



# Employee Health Care Advisory Group Themes

- Benefits important part of compensation package
- Private sector compensation packages are not equivalent
- Consider different premium cost sharing for new employees
- Co-pay increases preferable to premium sharing
- Premium cost sharing % of premiums, not % of salary
- If at all, minimal % of premium cost sharing; any changes should be gradual



## 3 Major Changes to Employee Compensation Recommended

- Maintain COLA at 3% level, for a total cost of \$1.6M
- Increase employee Co-Pays for a total savings of approximately \$0.6M
- Increase HMO cost-sharing for total savings of \$0.5 M



# Increase Co-Pays

- Increase employee Co-Pays as follows:
  - Specialist physician visit co-pays from \$15 to \$25 (with no change in primary care physician visit co-pays)
  - Emergency room visits (when not admitted) from \$50 to \$75
  - Out-patient hospital services from \$50 to \$100
  - Prescription drugs from \$10/\$20/\$35 to \$10/\$25/\$40
- Savings of \$0.6 M





# Premium Cost Sharing

- Increase HMO cost-sharing as follows:
  - New employees would pay 10% of HMO premium
  - Current employees would pay 3.3% of HMO premium
  - Over the next 3 years, consider increasing current employees share gradually until it reaches 10% of HMO premium (various options available)
  - Employees continue to pay 100% of cost difference between HMO and POS plans
- Savings of \$0.5 M in FY 2007



# Estimated Impact of Premium Cost Sharing on Employees

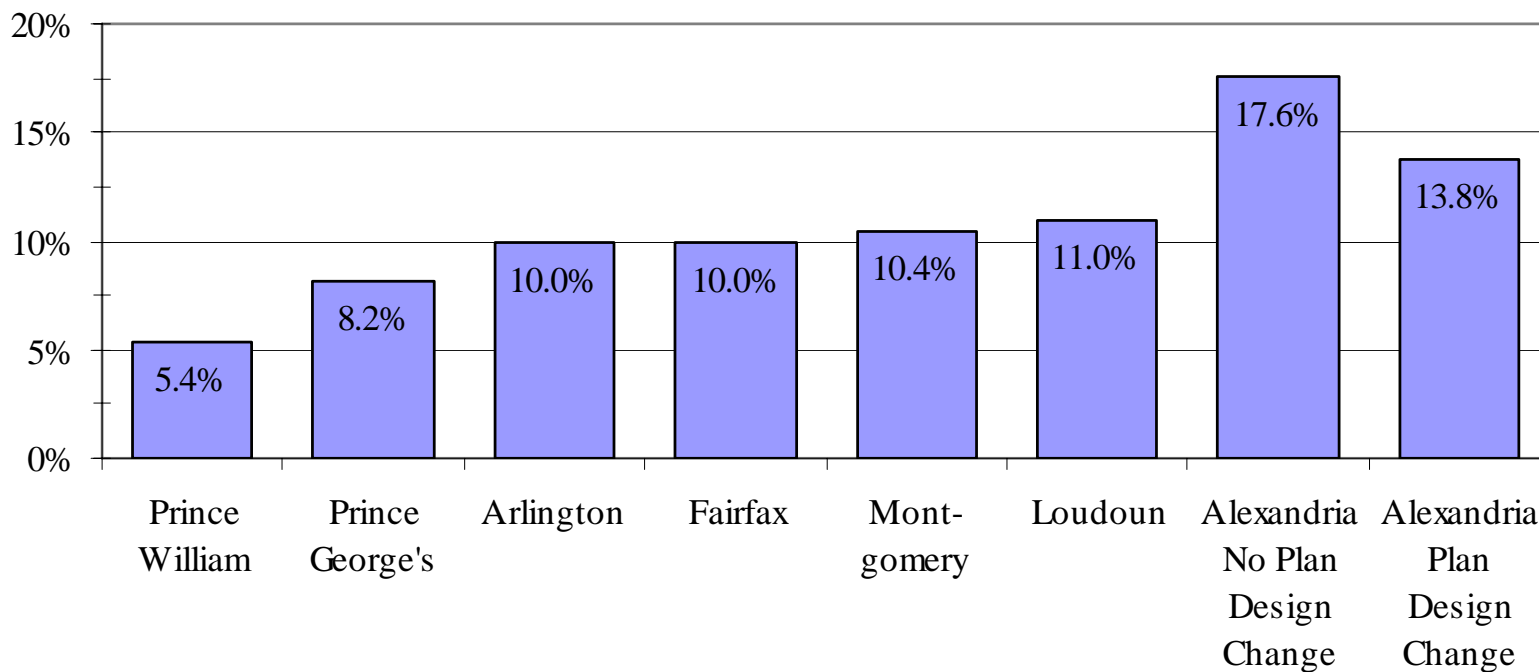
Type of Plan		3.3% of Premium Per Month		3.3% of Premium Per Pay Pd	
Kaiser	Individual	\$ 12	(est.)	\$ 6	(est.)
	Family	\$ 27	(est.)	\$ 14	(est.)
Opt. Choice	Individual	\$ 12	(est.)	\$ 6	(est.)
	Family	\$ 29	(est.)	\$ 15	(est.)

- Tax savings equal to 25% of premium for:
  - Married couple filing jointly with income of \$59,400-\$119,950
  - Head of household with income of \$39,800-\$102,800
- A head of household earning \$50,000 a year would be paying an estimated \$22 after taxes per month for an Optimum Choice family plan.



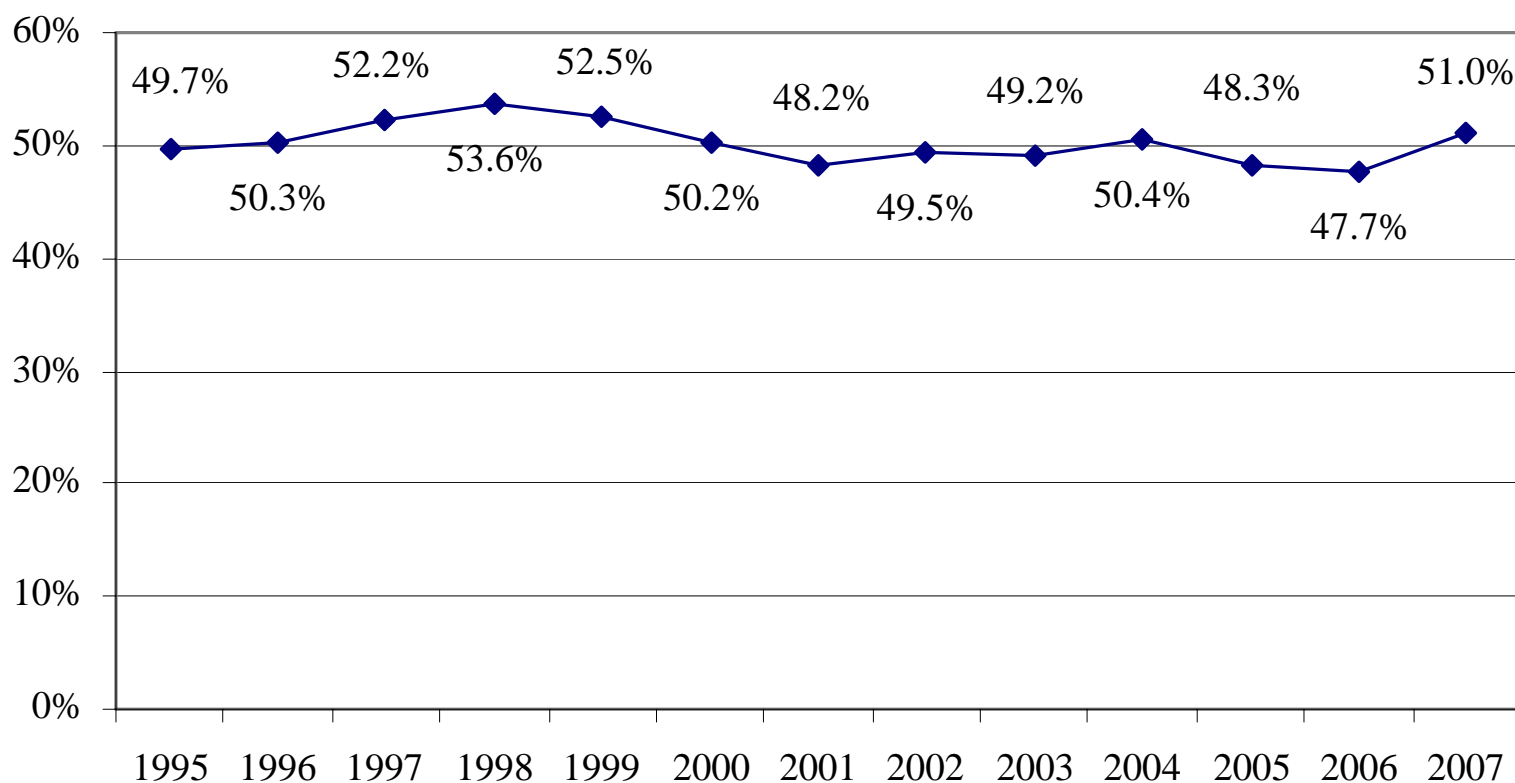
# Health Insurance

**FY 2007 Average Projected  
HealthCare Premium Increases**





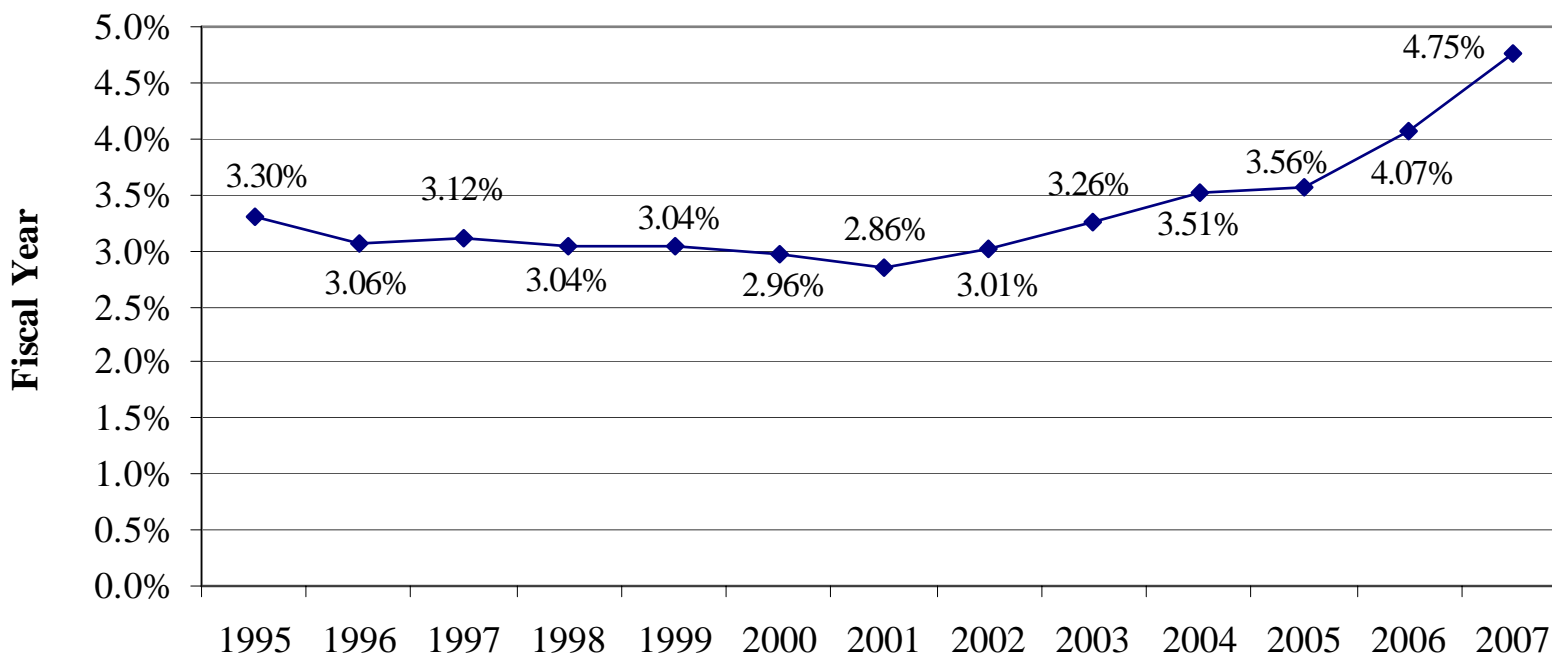
# Personnel Compensation As a % of General Fund (excl. Schools)





# Health Insurance

**Health Insurance as a % of General Fund**





# Health Insurance

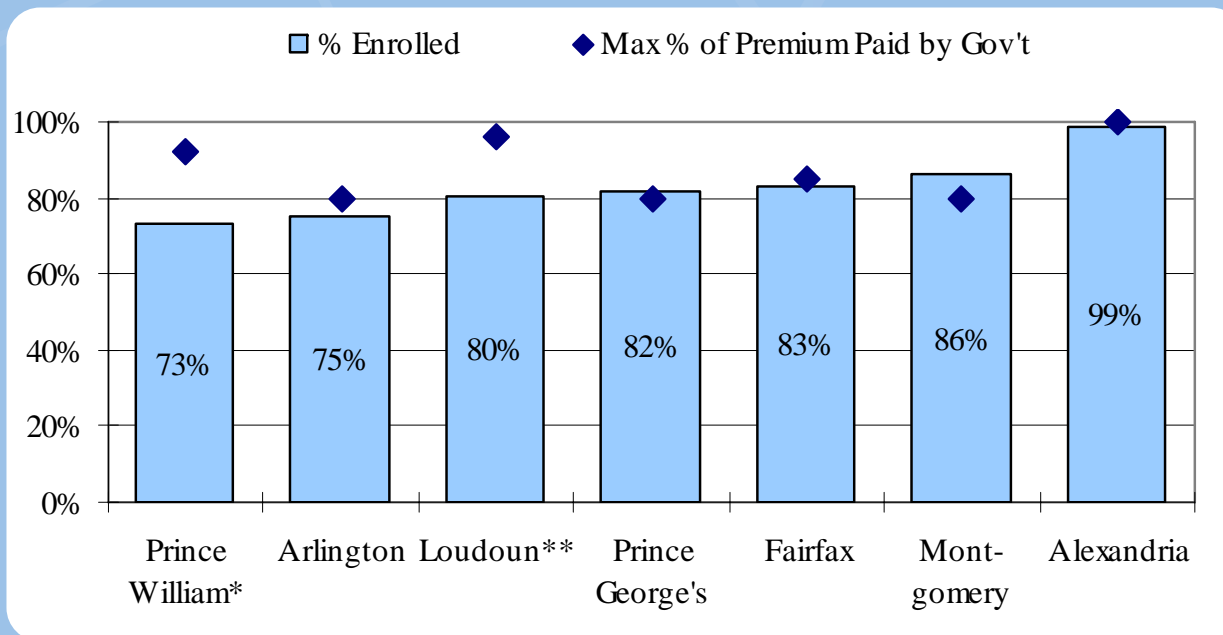
- **Projected HealthCare Premium Increase for FY 2007  
(Without proposed changes in Plan design)**

• Optimum Choice	+22.1%
• Kaiser	+12.8%
• Combined	+17.6%
• Total Cost to City	\$18.3M





# Health Insurance



\* Although Prince William County contributes towards 92% of the individual HMO plan, the most it contributes towards a family plan is 72%. This is below all of the other jurisdictions, which may explain the County's relatively low plan enrollment.

\*\* Loudoun County has lower enrollment most likely due to its "Opt-out" credit of \$97 per month for full time employees and \$78 a month for part time employees working over 30 hours.



# Health Insurance

## Comparison with Neighboring Jurisdictions

	Alexandria	Fairfax	Arlington	Montgomery	Prince George's
<b>Gov't % of Premium Paid</b>					
Full-time Employee	68% - 100%	75% - 85%	80%	76% - 80%	75% - 80%
Part-time Employee	50% - 66%	75% - 85%	80%	76% - 80%	75% - 80%
<b>Co-Pays</b>					
Physician	\$15 <sup>/1</sup>	\$10	\$10 - \$20	\$5 - \$20	\$15 - \$20
Prescription	\$10/\$20/\$35 <sup>/3</sup>	\$10 - \$40 <sup>/3</sup>	\$13 - \$40	\$4 - \$35 <sup>/4</sup>	\$6 - \$100 <sup>/5</sup>
Emergency Room	\$50 <sup>/2</sup>	\$50 <sup>/2</sup>	\$50 <sup>/2</sup>	\$30 <sup>/2</sup>	N/A

<sup>/1</sup> for in-plan HMO services

<sup>/2</sup> waived if admitted

<sup>/3</sup> mail order \$16-\$80 for 90 day supply

<sup>/4</sup> with CareMark prescription

<sup>/5</sup> with \$50 annual deductible



# Health Insurance

## FY 2006 Premiums and Rates

	Kaiser				Optimum Choice			
	<u>HMO</u>		<u>POS</u>		<u>HMO</u>		<u>POS</u>	
	Indiv	Fam	Indiv	Fam	Indiv	Fam	Indiv	Fam
<b>Employee Share</b>	\$ -	\$ -	\$152	\$358	\$ -	\$ -	\$ 49	\$109
<b>% of Total</b>	0%	0%	32%	32%	0%	0%	14%	13%
<b>City Share</b>	\$ 323	\$ 762	\$323	\$762	\$314	\$740	\$314	\$740

\*City share for part-time employees is between 50% and 66% of premium costs.